The cooperation of international retail chains with suppliers of non-food private label products[1]

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Abstract
Seeking a competitive advantage, retail chains more and more often introduce private label goods to their offer. Private labels are the most prevalent in food trade. The growing importance of private labels in recent years can be observed also in trade of non-food products (especially clothing and consumer electronics). Non-food private label products allow retailers i.e. to enrich their assortment and to serve new market segments. Private labels are also a tool to generate shopper loyalty. In practice, the private labels introduction to retailers offer requires to establish close cooperation with their suppliers. It is necessary to develop a long-term Supply-Chain-Strategy that integrates activities of the retailer and its suppliers.

Key words: private labels, non-food products, international retail chains / international retail companies, cooperation between retail chains and suppliers

1. Introduction

The approach to marketing activity in retail trade is undergoing dynamic changes. We should emphasise here the approach assuming that actually the retailer offers for sale a product that is everything, both good and bad, that is obtained within exchange. It is a combination of tangible and intangible qualities, including profits or functional, social and psychological benefits [Dibb, Simkin, Pride and Ferrell, 2003]. According to this approach a retailer offers a complex product for sale. Retail companies look for ways to create commercial offer that will allow for maintenance of existing customers and acquisition of the new ones[2]. Detailed recognition of demands of target segments ought to result in creation of commercial offers satisfying final customers. The offer for individual customer may become attractive if suitable sources of purchase are provided (in the case of trade, they are suppliers of ready products that offer expected value that is guaranteed for example by private brand products). Hence indication of suppliers as partners, who enable in practice, development of competitive market offer[3].

Target markets formed by individual consumers and suppliers constitute the key stakeholders for retailing companies. Target market representing customers who make purchases are in the centre of interest of every enterprise applying marketing concept. The offer will be more attractive for them if a particular retailer has appropriate source of product supply. In the case of trade it is about suppliers of final products who provide expected value for customers. This is guaranteed for example by private label of the retailer. This is why suppliers are indicated as partners enabling creation of competitive market offer of the retail company.

Growing customers' demands and increasing competition as well as dynamic progress in the sphere of new technologies are becoming major reasons for changes in the approach of retail companies to their holistic strategy of development [Gilbert and Sumner, 2004]. Customers and suppliers are the key elements of this strategy and establishment of relationships with them allows for achieving or strengthening this competitive advantage [Wathe and Heide, 2004]. Cooperation with suppliers is manifested in creation of competitive

[2] The concept of relationship marketing is integrally associated with defining, developing and supplying the value for customer. Compare [Shajahn, 2006].
[3] Cooperation with suppliers is reflected in creation of competitive offer, for example through label or other elements associated with product offer. Compare [Ching-Lian, 2009]; similarly, cooperation with particular suppliers of similar economic power, compare [Mentzner, Ming and Zacharia, 2000].

offer for example through brand or other elements associated with product offer. It ought to be added here that chain operations usually concern two trends associated with assortment, e.g. its broadening of cheaper products (competitive against competitors' offers) and/or of from premium category (addressed at most demanding buyer), and through development of own brands that are supposed to either provide customers with expected value (e.g. very low price for low quality, good quality for lower medium price, guarantee that the products are ecologically-friendly or produced in compliance with „fair trade" principles, e.g. Marks& Spencer, Tesco).

Policy of making purchase and possible issues associated with cooperation [Stannack and Jones, 1996] (e.g. in the sphere of negotiating commercial terms, advantageous payment terms and margins) is an important aspect of retail companies operation. For example in the case of retailers operating in Poland the stage of purchasing centred only on products has actually been over. On the other hand establishment and enhancing partnership cooperation (the so-called commercial cooperation) has become a challenge for retailers and producers.

In the paper, **the following main goals of cognitive and descriptive character** are assumed:

1. The cognitive goal of proposed paper is identification of cooperation strategies used by international retail chains in processes of development of non-food private labels against local and global suppliers.
2. Descriptive goal of the paper is to indicate best practices in developing private labels of non-food products by international retail chains.

In the paper **the assumption** has been made that offering of private labels make the offer more attractive for customer and that is also the important reason for developing cooperation between retailers and suppliers.

In the study leading international retail chains (which successfully launched non-food private label products**)** were research objects. Analyses included in the paper concern the years between 2009 and 2015 that were the period of unstable economy development. Presented results of conducted analyses concern Poland and other (mostly European) countries.

The following **research methods** were applied for the purpose of implementation of assumed goals: critical analysis of the literature of the subject, own research method concerning cooperation between retailers and suppliers, and the case research method that showed the best marketing practices associated with developing non-food private labels by retail companies on the ground on cooperation with suppliers. The research was complemented with primary studies with the use of observation method (to describe retail chains' strategies against non-food private labels) and survey method (to identify factors influencing consumers' choice of a particular retail store/outlet).

2. Retail chains strategic approach to suppliers

Strategies related to cooperation within distribution channels are called the strategy of integration or domination [Mazur and Sznajder, 1998]. On the basis of these strategies specific relationships between retail chains and suppliers are established. In this approach, these strategies can be classified by such criteria as the nature of relationship occurring between channel participants and usefulness of started cooperation. Considering the aforementioned criteria the following should be distinguished: alliance concluded very fast (ad hoc) of strategic dimension, partnership cooperation concluded in long time (ongoing), also of strategic dimension, cooperation associated with specific transactions concluded fast (ad hoc), of operational dimension and constantly continued cooperation.

Implementation of the strategy of domination through the link that is an integrator of the distribution channels is very frequently associated with the brand sale of products.

Application of this strategy demands from the channel integrator bearing high costs of marketing costs associated with the will to achieve specific goals (they concern marketing research, creation of new distribution solutions ad undertaking promotional activities). The domination strategy gives the integrator a privileged position in market that is associated with gaining profits resulting from the fact of performing the role of channel integrator[4].

Both producers and traders can be integrators of distribution channels.[5] If a commercial agent performs the role of an integrator of distribution channel their economic advantage is often observed. Furthermore a high degree of specialisation of commercial agents and possibilities to achieve the effect of scale related to them are the reason to become integrators of distribution channels[6]. Producers of a broad assortment who want to reach dispersed customers often adopt strategies of subordination to retail chain that is a channel integrator.

A lot of producers of various scale of activity are suppliers of retail chains. Thanks to close cooperation with suppliers it is possible to change traditional relationship of winner and loser type into the relationship in which both parties are winners. There occurs synergistic effect because thanks to integrated activities, the number of benefits is larger than if there was not such integration. Reducing costs can be observed both on the side of the supplier and on customer side. Customers reduce their costs because they receive a demanded product quality in appropriate time.

The rules of cooperation should evolve in such a way that they should maximise mutual benefits and be determined by real needs of buyers. Trust is an inherent quality of strong relationships. Trust gains special significance in long-term relationships because apart from results indicated before it allows for reduction of transaction costs within partnership exchange. The process of trust formation is determined by appropriate activities of supplier and often starts before commercial exchange occurs.

Cooperation with suppliers constitutes a very important sphere of activity for every retailers. While selecting suppliers, retail chains particularly take into consideration the following criteria [Bilińska-Reformat, 2015]:

- quality of products offered by the supplier and services accompanying their sale, as well as the cooperation costs,
- the number of suppliers – a retail company has to choose between two strategies: focussing on one supplier or acquiring several of them,
- type of supplier (producer or agent) – the strategy of either direct or indirect strategy can be chosen here,
- spatial range of activity of suppliers – this is about the choice between local or global suppliers,
- range of assortment while buying products from particular suppliers.

[4] A participant (a group of participants) of the capability to develop a concept, common for the whole channel, of operation, control and/or influence on behaviours of other participants and showing interest in shaping of the principles of functioning of distribution channel can become a channel integrator [Czubała, 2001].

[5] Four model approaches associated with achievement of predominance in distribution channel are described in the literature. In the first case, the producer is the integrator of distribution channel, in the second one, it is the agent (wholesaler or retailer), the third assumes the situation in which both these links want to be predominant in distribution channels and this is why a conflict or circumvention occurs (starting no cooperation); in the fourth option none of the participants wants to become an integrator of distribution channel. In this case there occurs a marketing gap that has to be filled in, as otherwise distribution channel will not be able to work effectively [Niestrój, 2002].

[6] Wholesalers who ensure effectiveness of real distribution and sale perform an important role in the process of distribution. They can successively become the integrators of distribution channels. More on this subject see [Copacino, 1996].

3. Retail chains' strategies against non-food private labels

In the countries of Western Europe the sale of products of retailer's own labels has been constantly growing while currently forming even 40-53% of total sales in some countries[7]. In Poland their share in market amounts to around 27% but it is predicted that it will grow to reach 40%[8]. Growth in popularity of these brands may prove that buyers are increasingly price sensitive[9] (which is not only a reaction to economic recession) and in consequence, they are becoming less and less loyal to brand producers. Thereby they pay increasingly less willingly for them. They also use more frequently other types of price promotions[10].

Retail chains (particularly international discount stores, super and hypermarkets) are more and more active in introduction of further categories of products under private labels. Before, they were selling mainly food, household chemicals and cosmetics, however successive broadening of assortment by new private label non-food product categories is observed[11]. Clothing retailers and consumer electronics retailers that offered only brand products until recently, also offer consumers increasingly more goods of private labels. The examples are presented in table 1.

Private label products allow retail companies to broaden their assortment by for example complementary goods, and to develop it within the scope of this category of brand products and/or private labels. Thanks to this they can make new consumer segments, e.g. those that search for products that are good with respect to quality and at reasonable price, or that rationalise their shopping under the influence of financial limitations, adoption of „voluntary simplicity"/"simply life" lifestyle[12], or growing popularity of the phenomenon of smart shopping[13], interested in their offer. Moreover, private sub-labels introduced in the offer by retailers allow for better positioning of the product on market. Some retailers (e.g. Tesco, Marks&Spencer) increasingly more often offer, under separate private labels, non-food products from premium category or products of unique features, e.g. clothes made of ecological cotton or collections of clothes designed by famous fashion designers. This favours ennobling the market image of a retailer and also establishment, customers' loyalty towards a particular retail company in a larger degree than before. This is because the price ceases to be the key source of formation of competitive advantage over manufacturer brands.

[7] According to date from Private Label Manufacturer Association, in Europe in 2014 private label products had the largest share in market in Switzerland (53%), Spain (51%), Great Britain (45%) and Germany (42%).

[8] Experts from Polish Organisation of Trade and Distribution predict that after the level is reached, it should not grow significantly any more. It is related to more diversified store formats than in many West European countries. In the case of smaller selling areas a broad offer of private brands is not economically justified.

[9] The research conducted by L.M. Lodish and C. Meli prove that consumers from developed countries are by 50% more price sensitive than 25 years ago [Lodish and Mela, 2007].

[10] Polish buyers most frequently buy products of private labels if they want to save (71%) or if there is an interesting promotion (53%). Therefore private labels are mainly associated with attractive price. Complete results of research can be found in [OnBboard PR, 2014].

[11] In Western Europe the share of non-food private label products in the value of sale of this type of goods amounted to 26% in 2013 (and it did not change in comparison with previous year). On the other hand, the quantitative share in this period was on the level of 42.4% [IRI, 2013].

[12] Such a style is characterised by slowdown of life, limiting some needs and methods of their satisfaction by customers and minimisation of expenses on consumption goods and services (the often decide to abandon more expensive producer brands for the benefit of cheaper private labels) [Elgin and Mitchell, 1977].

[13] For example the trend of private label purchase as smart shopping can be observed in apparel (the so-called „cheap chic" phenomenon) [Kumar and Steenkamp, 2007].

Tab. 1 Examples of non-food private label products of international retail chains

Name of retail chain	Store / sales format	Retail chain country of origin	Private label name	Category of private label product	Target consumer segments
Tesco	supermarket, hypermarket, e-commerce, virtual stores[14]	Great Britain	F&F[15]	Clothes Subbrands: – F&F Basics – elementary items of clothing at exceptionally good prices, – F&F Black – suits, – F&F Blue – denim trousers, – F&F True – clothes in sizes 46-56, – F&F Baby – clothes for babies, – F&F Kids – clothes for children and young people.	Brand addressed at every buyer looking for clothes that are fashionable and good with respect to quality available at reasonable price; it includes lines of casual and formal clothes.
			T Digital	Electronic devices (tablet and plans of broadening of offer of smartphone)	Brand directed to buyers who look for devices with basic functions offered at low prices.
Carrefour	supermarket, hypermarket, e-commerce[16], virtual stores[17]	France	TEX	Clothes and accessories Bedding	Rand combines the latest trend in fashion and high quality with reasonable price; it includes lines of elegant, sport clothes and those worn at home; it cooperates with Japanese designer Kenzo Takada, among others.
Walmart	supermarket, hypermarket, e-commerce	USA	George	Clothes Shoes Haberdashery (e.g. wallets, belts)	Brand of more formal clothes for women, men and children offered at reasonably low prices.
			White Stag	Clothes Shoes Basic jewellery	Brand of cheap everyday clothes mainly for young women.
			ONN	Usable electronics	Brand of basic devices of usable electronics (including mouse, loudspeakers, and cables) offered at attractive prices.
			Mainstays	Furniture and accessories for interior decoration	Brand of cheap products mainly for consumers from lower market segment who assemble furniture and decorate interiors by themselves.
			Gold's Gym	Athletic equipment Equipment for exercising Scales	Brand for active people who want to buy sport equipment at reasonable prices.
			Douglas	Tyres	Assortment brand of cheap car tyres[18].
			EverStart[19]	Batteries for cars, motorbikes and other devices (e.g.	Brand of good quality car batteries and complementary accessories

[14] Virtual stores operate in Great Britain, among others (at London airport) and Southern Korea (in Seoul underground).
[15] Growing popularity of F&F brand influenced opening independent salons for selling clothes of this brand (F&F store) in 2010. Currently they operate in the shopping mall Blue City in Warsaw (Poland) and also in shopping centres Palladium in Prague and Brno (Czech Republic) among others.
[16] So long, Internet networks provide service to customers in several countries including Romania, France, Spain and Argentina.
[17] Virtual shops operate in France (in Paris and Lyon) among others. In Italy (in Rome) the virtual form of store is being tested.
[18] Some models of this brand are produced by Goodyear company that is a global producer of tyres offering own broad assortment of tyres of various brands.

				lawnmowers) Small accessories for vehicles (start-up cables)	offered at reasonable prices.
			SuperTech[20]	Automotive products (e.g. engine oils and grease, liquids for sprinklers, wipers)	Brand of cheaper products operating products for cars.
Marks &Spencer	delicatessen department store e-commerce	Great Britain	Limited Collection	Clothes Shoes	Brand of elegant, stylish everyday clothes for consumers of various age who appreciate young „edgy”.
			Per Una	Clothes Shoes Accessories	Brand for younger women looking for fashionable stylisation at attractive prices
			North Coast	Clothes Bags and backpacks Cosmetics	Brand for men appreciating simplicity, lightness and relax.
			Indigo collection	Clothes Shoes Accessories Subbrands: – Denim – denim trousers for women – Denim Junior – more expensive denim clothes for children, – Indigo Company – clothes for boys.	Brand of comfortable everyday clothes for children, young people and adults
			Autograph	Clothes Shoes Cosmetics	Brand offering more luxurious collections of clothes.
			Blue Harbour	Clothes	Brand of luxurious everyday clothes for men; it also includes clothes for golf game.
			Maxim	Kitchen utensils	Brand of utensils including bowls, glasses, wine glasses, etc.
– Media Markt – Saturn	electronic hypermarket, e-commerce	Germany	ok.	Usable electronics of various categories (e.g. TV sets, cookers, toasters, washing machines, dishwashers, telephones, alarm clocks, products for body care)	Economical brand for buyers from lower market including products of everyday life that are reliable, functional and simple in use at reasonable prices.
			KOENIC	Small and big AGD (household equipment) (e.g. food processors, toasters, vacuum cleaners, fridges, dishwashers and washing machines)	Brand for middle market i.e. buyers looking for products that are modern with respect to design, high quality at reasonable prices (comparable with brand products of manufacturers)
			PEAQ	Usable electronics (e.g. TV sets, home theatres, multimedia equipment, telephones and headphones)	Brand for buyers of upper-middle class who appreciate high quality at moderate price and also elegant design, modern technology and additional functionalities.

[19] Majority of products of this brand is produced by Johnson Controls Company that works in diversified branches in automotive and construction sectors. It is one of the world leading producers of modern car batteries. http://www.johnsoncontrols.com/content/us/en/about/our_diversity.html

[20] Some engine oils and greases of this brand are produced by Royal Dutch Shell petrochemical concern that has a diversified assortment of oils and greases for various types of vehicles offered under the name of Shell. http://www.shell.com/global/products-services/solutions-for-businesses/lubes/media-centre/news-media-releases/2011/bibendum-walmart-honours-shell-lubricants.html

			ISY	Accessories for usable electronics (plugs, USB ports, HDMI cables and others, joints and batteries)	Brand of products for all market segments that should facilitate everyday life with electronic devices to buyers – it ought to represent simplicity, functionality and easiness (which is also emphasised by modern packaging).
Best Buy	hypermarket electronic e-commerce	USA	Insignia (flag brand competing with producers' brands)	TV sets and TV tables Audio equipment Tablets GPS devices Small household equipment Fans Shredder Accessories	Brands of usable electronic products (both more expensive and of high quality and also cheaper of weaker parameters) for younger consumers (particularly teenagers and students) looking for inexpensive devices that guarantee Brand experience and at the same time helping them to „build the skills of 21st century and level the digital gap".
			Dynex (discount brand)	TV sets Accessories for TV sets, computers and mobile telephones Batteries and chargers Shredders	
			Rocketfish	Accessories for computers and other electronic devices	
			Init	Digital Camera and Camcorder Accessories TV Stands Table&Portable Fans	
IKEA	hypermarket with house equipment, e-commerce[21]	Sweden	Uppleva	TV sets	Brand for an average customer looking for devices of a medium-class offered at moderate price.

Source: own case study on the basis of source materials and internet websites of retail chains

[21] Currently IKEA local online shops operate in 13 countries (out of 27 countries where the company operates). Depending on the country, 70% - 80% of assortment is available online. In the next years the company is going to start further online stores (e.g. in Poland in 2016). In this way the company responds to the world trend manifested in the fact that considerably larger number of consumers – over 1.5 billion people visits its website every day and brick-and-mortar stores are visited by 716 million daily. http://www.wirtualnemedia.pl/artykul/ikea-stawia-na-handel-w-internecie-kiedy-e-sklep-w-polsce.

Private label products are in principle cheaper than goods offered under manufacturer brands. This is usually a consequence of their poorer quality or lower usefulness resulting from the lack of some functions etc. or lower costs of their production. For example, taking into consideration consumer electronics offered under the own labels of retailers, it is often less advanced and thereby less technologically developed and thus less innovative than similar products of manufacturer's brand goods. Private label products also have poorer technical parameters or do not have specific functions.

This situation results from the fact that particular producers of own brand products, while willing to be an expert in designing and producing them, must be more innovative and creative than a retailer and also they have to invest remarkable resources in R&D activities, patenting innovative solutions or purchasing them for exclusive use from independent innovators, or development of production processes. Moreover, while launching a product of innovative qualities, the producer bears responsibility for marketing activities associated with it. Therefore in this stage of market lifecycle and its other stages they appropriate enormous budgets for brand promotion and management of distribution channels. On the other hand, retail chains do not need to promote particular private labels as extensively as producers, in e.g. mass media, and this significantly affects their price [IRI, 2013]. This results from the fact that market power and prestige of private label products in some degree depends on the value of retail chain brand that it offers. This is because this brand is a parent brand and buyers perceive private labels through its prism. Therefore retailers most often promote the brand of the very chain and its general offer[22]. On the other hand they prefer private labels while exposing the offer in the store. They are usually better located on shelves and shown in a more attractive way. It can be noticed that since recently, retail chains have been promoting private labels (in TV commercials, on billboards, e.g. Tesco advertises own F&F clothes brand).

Retailers, while offering products under private labels also try to modify their image. Through implementation of private label (in 2014) of T Digital, Tesco chain is going to change its image into more technological and innovative. The consumer who buys e.g. a tablet of Tesco private label, can participate in the world of digital services offered by this retailer without any problems (e.g. Tesco Direct, the moving streaming service BlinkBox). So far, the image results of this move are significantly slower than it was predicted by the company managers. This may be a result of poor offer of consumer electronics. Furthermore, it is observed that there is a decline in demand on tablets[23], which is the main device of Tesco private label in this product category. It would be necessary to broaden the assortment of the products that will be looked for by purchasers in the nearest future, e.g. phablets and electronic gadgets (e.g. wearable technology / fashion electronics such as smartwatches, smart bands) compatible with operational systems installed in other devices including smartphones and notebooks that allow for „private and business life management". RTV (radio & television) and AGD (household equipment) are non-food private label products that have been the least received on the market. In particular this concerns large and more expensive equipment such as TV sets and fridges, the share of which in total sale of private labels is very low. Slightly higher shares are observed in the case of AGD (household equipment) e.g. hairdryers and toasters. The situation is particularly affected by three factors. Firstly, majority

[22] Recently, retailers have been making an attempt to transform their „store brands" into „power brands". For this purpose they try to involve consumers more and more, they are oriented to „green thinking" in the process of product development, they implement more elegant packaging for private labels and develop alternative distribution channels, establish partnership with well-known companies and/or gain support from celebrities [Blake, 2013].

[23] For example in the 1st quarter of 2015, the sale of tablets declined by 5.9% in comparison with the same period in 2014. This fall is determined by growing popularity of phablet of the screen diagonal over 5 inches [IDC, 2015].

of producer brands of RTV (radio & television) and AGD (household equipment) are global markets and this is why they are reactively well-known in the world by consumers[24]. Secondly, buyers have more trust in famous brands while considering them as better with respect to quality, and more reliable[25], which is really important in the case of durable goods. Thirdly, consumers expect appropriate influence of image of a particular brand on their personality (it is about emotional benefits) or the way the image of a particular brand is perceived by the environment (brand equipment of this kind is sometimes approached as a symbol of social status) [Lux, 2012]. Because of this private labels, particularly of RTV (radio & television equipment) are mostly purchased as another device that furnishes consumer's flat (e.g. the second TV set /cheaper and less prestigious/ in the guest room or for the use of a child). Therefore, increase in demand on private labels of this type of products needs application of appropriate strategy of market positioning.

A lot of private labels belong to large international retail chains that have large financial resources at their disposal. Practically, they commission the whole production of products offered under these brands to specialised companies (including producers selling own brand products).This is why they do not know about key technologies and processes associated with a particular product, whereas the retailers, because they have a direct contact with customers, can provide producers with important information about their preferences and reasons for dissatisfaction. They have to take them into consideration in the process of designing and production of goods for a particular retailer (some retail chains cooperate in these processes with their suppliers). This allows for better adjustment of private labels to the needs of target segments of particular chains. This happens for example in the case of e.g. some stores with Best Buy electronics (operating in North America), that regularly conducts surveys among customers. Their goal is to acquire from buyers information allowing for improvement of products [Aston, 2012]. Furthermore, this retailer cooperates with engineers and stylists who worked together with world leading producers, including Apple, Compaq and 3M among others. Additionally it commissions a part of production of private label products to international concerns that are specialised in designing and production of particular products (and also selling them under producer's brand). Therefore they have a lot of skills and experience in this sphere which allows for effective operation also as a sub-supplier. All these activities let Best Buy introduce, into the offer, private label brands that are good with respect to quality and at competitive prices.

Media Markt and Saturn are other examples of retail chains with consumer electronics that offer products under private labels. Within the assortment of four private labels they offer buyers in total around 800 products [Media-Saturn Holding, 2014]. An individual visual concept of product packaging was developed for every private label. It is to reflect its market positioning and make it easier to find it in the store. Introduction of private labels to the offer of the retailers (that constitutes the next step in development of the concept of sale of Metro Group to which both these entities belong) allowed for significant broadening and development of assortment and consequently larger choice of products for buyers who do shopping in brick-and-mortar and internet stores of this entity. Adoption of this strategy favours, among others, enhancement of customer loyalty from various market segments. This is because consumers, who do not make a decision of purchase of equipment of the

[24] Known producer brands of large electronic products are preferred by 57% of Polish consumers, whereas private labels by 5% of respondents. In the case of small electronic products, producer brands are preferred by 39% and private labels also by 5%. More on the subject [OnBboard PR, 2014].

[25] In research published in the report „Handel detaliczny artykułami RTV, AGD i sprzętem elektronicznym w Polsce 2014. Analiza rynku i prognozy rozwoju na lata 2014-2019" [*Retail trade in RTV (radio & television equipment) AGD (household appliances) and electronic equipment in Poland 2014. Analysis of market and predictions of development for 2014-2019*] 83% respondents indicated parameters as the most important while selecting a product and the price was indicated by 75% respondents.

producer's brand, can buy their cheaper equivalents (on average by 10%) under private label of retail chain and not use the competitor's offer. Private labels of both aforementioned retailers gained particularly strong position on market in Germany and Austria.

In the case of IKEA TV sets of private label Uppleva offered by the retailer constitute a natural complementation of its assortment. The TV set (together with a dedicated multimedia system) is to be a part of furnishing of customer's house and therefore it should look well with the whole suite of furniture purchased in this retail chain. Thanks to this measure, IKEA chain created some market niche that includes consumers who are on the stage of decorating their flat or house with furniture offered by the retailer, for whom ideal integration of RTV (radio & television) equipment is remarkably important[26].

It ought to be added that recently the quality of non-food products offered by retail chains under private labels has been growing. It is associated with increasingly higher demands imposed by them on producers. Consequently, these brands represent more attractive combination of price and quality and this is why in the awareness of an increasingly larger group of consumer they become a synonym of reasonable choice. Furthermore, more aware buyer explains lower price of private label products with smaller investments of retail companies on distribution and promotion and not their poorer quality. However, with the growth of demand on private label products their prices also start to increase [Tuttle, 2012].

4. Interaction between private labels and their suppliers – an example of private clothing labels[27]

In the case of some non-food product categories it is observed that a group of producers' brands that are really looked for by buyers, is becoming increasingly smaller and consequently assortment of products of a particular category is getting narrow. Such a situation occurs on the market of clothes where stores more and more often offer the same producer brands. Therefore it is no longer important for consumers where they buy the product of a particular brand. Consequently, independent stores that offer collections of designer clothes of the same producers have increasingly larger problems with being distinguished on market which results in growing struggle for customers. What is more, producers more and more frequently start chains of own outlets or franchise systems which additionally intensifies competitive struggle on the level of retail trade. In this situation introduction of private labels by stores, offers them the possibility to diversify the offer more (and thanks to this serving larger number of target segments), to be clearly different from competitors and also to influence prices and collection design directly. They are one of the most important determinants for effective positioning on the market of clothes. This also lets them freely shape assortment and brand strategy and also influence the whole Supply Chain, which is impossible in the case of sale of producer brands.

Therefore it seems necessary to develop a long-term Supply-Chain-Strategy. This is mainly about determination in what scope the retailer will control various links of supply chain. In the case of clothing store chains, there are several solutions applied, and they include [Merkel, Breuer, Eltze and Kerner, 2007; Swoboda and Foscht, 2014]:

- development of clothes design on their own by the seller, or ordering this task to an external company and then commissioning production to selected domestic or foreign producer,
- purchasing ready collections of clothes through commercial agents,

[26] The IKEA's vision is to create a better everyday life for the people by offering "*a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them"*. See more [Koniorczyk, 2015].

[27] Apparel is one of the largest sectors for private labels [Kumar and Steenkamp, 2007]. Hence, this sector was chosen for research.

- purchasing collections directly from their producers; in this case the retailer can either buy them from producers, buy a collection developed and produced as a whole from materials selected by a particular producer or buy clothes sewed by the producer from fabric delivered by the retailer,
- taking over some production tasks by retailer.

Analysing behaviours in the sphere of supply for retail chains offering private label clothes (e.g. Tesco, Marks&Spencer) it can be observed that the number of retailers making purchase directly from producers is rapidly growing. It is associated with their possibility to influence the purchase of fabric among others. It is so important because the costs of its purchase constitute a significant share in total costs of supply of a retail company.

The solution adopted by retailers determines their further decisions associated with the principles of functioning of the supply chain. The choice of the entity and the country where production will be conducted is one of the key decisions in this sphere. In the case of F&F brand of Tesco chain collections of clothes that should reflect the latest world trends in fashion, are designed by a group of specialists working in Great Britain. Production of clothes is commissioned either to producers from local markets or more frequently to low cost companies from Asia, mainly Bangladesh[28]. Tesco cooperates with producers whose factories obtained a positive assessment from independent auditors as for observing the principles of ethical production[29]. The chain often cooperates with them to maintain high production standards, which is an element of implementation of corporate social responsibility.

So far a lot of companies from Europe and the USA commissioned production only to factories located in China and other Asian countries (e.g. in Bangladesh, Malaysia and Taiwan). However, it is associated with long order delivery date by sea, and in the case of faster air carriage, there is a growing social criticism due to the aspects of environment protection. Additionally, labour costs in the countries of Asia are constantly growing which makes the financial profits of retailers smaller in the situation of maintaining relatively low retail prices by them. Additionally, cooperation with producers who do not observe the principles of labour safety and exploiting the workers or employing children, etc. [Children..., 2006] may have a negative impact on market image of a particular company. Therefore retailers offering private label clothes more and more willingly cooperate with smaller suppliers from local or regional markets thanks to which they can adjust better their product portfolio to specific character of segments they serve in, individual countries, or they look for cheaper suppliers in other continents, e.g. in Africa (Tesco, Wal-Mart, H&M in Ethiopia[30] and Inditex in Morocco and Tunisia). This, in turn allows them to maintain higher gross margins. While making this kind of decisions concerning supply chains guaranteeing flexibility and optimisation of time and logistic costs at simultaneous ensuring of maximum adjustment of products to customers' price and quality (including fashion) expectations is of the key importance [Merkel, Breuer, Eltze, Kerner , 2007].

Retailers more and more frequently impose their solutions to companies producing at their order. A lot of them (e.g. Tesco, KiK) develop their own codes of procedures that control the principles of conducting production at suppliers. The entities that at the beginning do not fully comply with demands obtain a specific support from the retailer, e.g. in the form of workshops concerning the quality of products, working conditions, environment protection,

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[28] Currently Tesco cooperates with 50 factories from Bangladesh. Their list can be found on the internet at: http://www.tescoplc.com/assets/files/cms/Resources/Trading_Responsibly/Factories_that_work_with_Tesco_in_Bangladesh_April_2015.pdf.

[29] Producers realising orders for F&F brand must ensure working conditions that are compliant with the code of Ethical Trading Initiative (ETI). The retailer does not allow suppliers to subcontracting production to unknown companies. http://www.clothingattesco.com/corporate-responsibility/mindful-production/page/corp-rsp-mindful

[30] In Ethiopia unit production costs of clothes are twice as lower as in China. http://www.bloomberg.com/news/articles/2014-07-22/ethiopia-becomes-china-s-china-in-search-for-cheap-labor

etc. Retailers create special programs of auditing and qualification on the basis of which they analyse and monitor the course of production processes and the quality of final products. Additionally, the retail companies control the quality of products in their own laboratories (they analyse physical and chemical parameters of clothes with respect to fulfilment of requirements of health protection, etc. and necessary labelling. Such an approach guarantees the maintenance of the same level of quality to the products of private labels and thanks to this, reducing customers' complaints brought by purchase of faulty products. This also has a positive impact on the image of retailers because they can be perceived as socially responsible [Zentes, Swoboda, Morschett and Schramm-Klei, 2013].

5. Customers' needs as the reason for developing cooperation strategies - results of studies

The major purpose of studies of consumers who buy in retail chains was to identify customers' behaviour determinants on FMCG market. With reference to this primary studies were performed in the form of Internet poll in which the survey questionnaire was the tool. Before the performance of measurement was started, a pilot study had been conducted. The questionnaire included 29 substantive questions and 5 questions related to particulars. According to the procedure of Likert's scale construction, a list of expressions reflecting the influence of factors on purchasing behaviours of consumers on food market were developed. A seven-degree ordinal scale of the format of response from 1 – I totally disagree to 7 – I totally agree was attached to the set of nominal divisions. The research was conducted in the period between 5th November and 12th December 2012 with 1591 respondents who participated in the study. They were mostly women (which corresponds to the profile of consumer who does shopping in retail outposts)[31]. The studies were conducted in all Polish voivodeships.

It also results from conducted studies that food buying behaviours of Polish people are determined by numerous factors that determine attractiveness of particular places (retail store/outlet), tab. 2.

Tab. 2 Determinants of selection of a particular retail store/outlet

Determinants of selection	Response rate (in %)
Good location (there is no problem with access to the shop)	69.52
Competitive price offer	68.20
Wide assortment offer (foreign and domestic products)	65.12
The cheapest offer in the closest neighbourhood	56.63
Possibility to pay by card or there is a cash point nearby, trolleys are comfortable, there are self-service cash registers, etc.	46.64
Constantly extended offer and the offer adjusted to my needs (e.g. introduction of new assortments to the offer, the shop follows the fashion, traditions, etc.)	37.90
I have the possibility to buy goods of Polish producers	36.39
Possibility to pay by credit card	33.06
There is a wide choice of Polish brands in the assortment	28.72
Employees' behaviour corresponds to my expectations, I have the impression that they are trained	25.83
Satisfaction of expectations with respect to technical solutions (it has a modern car park)	24.39
Clear offer against competitors' offers (price comparison of the so-called purchase basket)	23.63
The way of organisation of the sale process meets my needs	23.44
Introduction of the category of products that are hardly known in my environment (for example exotic fruit, products of loyal exotic cuisines)	18.86

[31] Women constituted 59.1% of respondents. Taking into consideration other criteria, the largest studied groups included: with respect to age – people aged 18-24 (49.5%), considering education - people with university education – 56.8%, and with respect to financial situation – people accessing it as average (47.4%).

Selling area is changed in the way to make the store look more modern	17.03
Categories of products for the poorest (resulting from the global crisis)	15.46
Actions that allow for cheaper buying, e.g. lucky Wednesdays in Real, discounts for pensioners on a particular day of the week, etc.	14.33
Innovative solutions in sale of products, i.e. self-service cash registers, possibility of unassisted weighing of products, online sale, etc.	13.39
Possibility of getting accurately acquainted with the offer on the Internet	12.70
Modern, global look (product display, shop fitting, atmosphere of selling)	12.32
Loyalty programs (e.g. loyalty cards, buying vouchers)	12.32
Fashionable, global products (the so-called „cool", „trendy")	10.56
Possibility to return the product	10.18
Work offer for local community	9.93
Information about promotions (by e-mail, regular post, text message)	8.55
Interest of the shop in acquiring information from customers	7.48
In general „being ahead" of the competitors with respect to the so-called innovativeness	7.10
Attractive offers associated with particular local traditions, e.g. horns of plenty in Silesia for children who start education	6.41
Activity in aid of local environment (e.g. charity actions, actions in aid of schools or orphanages)	6.16
Worldwide actions in aid of superior ideas, e.g. nature protection, promoting healthy products	5.85
The other four determinants	14.97

Source: Own case study

Analysing determinants of choice of a particular store that the respondents follow while choosing the place to do shopping for FMCG products, we can distinguish four groups of factors. The first group is composed of determinants that are most frequently indicated by over half of the respondents (more than 50% of indications). It includes: good location, competitive price offer, broad assortment offer and the cheapest offer in the nearest neighbourhood. It arises from the comparison, that in Poland consumers are without any doubts careful about the prices of offered food (indication of two determinants: competitive price offer and the cheapest offer in the neighbourhood). Also, location and the range of offered assortment are very important for the respondents. Therefore indicated determinants constitute key factors of success for retail companies.

It ought to be emphasised that demands concerning price and assortment constitute the most important reasons determining retailer competitiveness. Only development of cooperation with suppliers of products of private labels allows retail chains to meet these demands of customers. Cooperation also allows for achievement of synergistic effects which translates into reduction of prices.

The second group includes determinants indicated by over 30% of respondents. They are the possibility to pay by credit card or there is a cash point nearby, and there are facilities in the place; constantly expanded assortment offer adjusted to consumers' needs and the possibility to pay by credit card. The third group includes determinants indicated by more than 20% of respondents. They are: having Polish brands in the assortment; behaviours of employees meet my expectations, I have the impression that they are trained; satisfaction of expectations with respect to technical conditions; clear offer against the offers of competitors; the method of selling process meets my expectations. Determinants that are found in the third group prove the occurrence of consumer egocentrism in the case of purchase of food in over ¼ respondents. Over 1/5 of consumers pay attention to technical conditions related to doing the shopping and the very process of sale.

Described groups of factors are taken into consideration in activities of retailers and are manifested in for example performed segmentation of customers, change in selling formats, directions of assortment strategies and dynamics of implementation of innovative solutions, and also results in strengthening of cooperation with suppliers or/and customers. The relationships with the latter become the subject of innovation named 'customer engagement', i.e. the apparel buyer is an active participant in retail chains value creation process (value co-creation) [Rupik 2015a; Rupik 2015b].

However, the presented results of conducted study don't regard directly non-food products, in Author's opinion can be taken into consideration. We can state that price and wide assortment offer are the key factors influencing customer's buying decisions and choosing the retail store, so we can make assumption that launching of non-food products labels into assortment attracts customers. Such situation requires close cooperation between retailers and non food labels suppliers.

6. Research results and implications

The results of research prove that analysed retail chains successively broaden offer of non-food private label products (particularly in the category of clothes and small consumer electronics). It allows them to increase competitiveness as a result of more complete penetration of existing market, better positioning of products on market, providing services to new consumer segment, ennobling the image (particularly in the case of introduction into assortment, the brands of unique qualities) and more effective formation of customers' loyalty towards a particular retailer.

At the same time, competition between retailers grows, which results in reduction or even complete elimination of price differences between various store formats. Consequently, it is increasingly more difficult for particular retailers to be distinguished against competitors, particularly, if they conduct sale of identical products of producers' brands. In this situation, an attractive product offered under private label can become not only a key distinctive feature of a particular retail chain, but also an important element of its long-term strategy for customers' acquisition.

Broadening of offer of non-food private label products demands from the retailer establishment and strengthening of cooperation with a growing number of suppliers and consequently, also modification of their attitude to holistic strategy of development. In the sphere of supplies, international retail chains implement most often the strategy of dominance based on intensive and relatively long-term cooperation with suppliers, i.e. foreign (and also increasingly more frequently local) producers of final products. This allows them to influence the features and quality of final products (including fabric for production and design), control the costs of their production and also regulate the principles of running production. It ought to be added that the quality of non-food products offered by retail chains under private labels is constantly growing which is associated with increasingly higher demands imposed on their suppliers.

It results from the studies that ensuring appropriate flexibility and optimisation of delivery time and costs (particularly logistic) are of the key importance for retail chains while making decisions concerning the choice of suppliers of non-food private label products and determining the principles of cooperation with them. At the same time maximum adjustment of products to quality and price expectations of customers from target segments of retailers must be provided.

Concluding, it can be said that formation of competitive advantage of retail chains is significantly associated with development of private labels which demands starting close cooperation with suppliers. Private labels are thus becoming an important element of market game. This is also proved by results of presented research that indicate assortment determinants as fundamental buying determinants for customers.

7. Limitations and directions for future research

Analyses presented in the paper are limited because of showing results of studies only for large international retail chains and Polish consumers buying FMCG products (market research survey results). Therefore the areas for future research that could be related to monitoring trends of changes occurring in strategies of retail chains (also smaller and local) can be shown while referring to non-food private label products together with their comparison in various national markets. It would be interesting for example to identify reasons and conditions for further effective development of non-food private labels products of retail chains, particularly with reference to goods that so far have been the least willingly accepted by customers (e.g. large products of consumer electronics). It would demand identification of internal and external factors determining broadening and/or development of cooperation of retailer with existing and potential suppliers.

Future research trends could also include strategic partnership in the sphere of purchase of private label non-food products started by the very retail chains. This is because this type of partnership, started for the purpose of realisation of common retailers purchase at suppliers (including international producers), is an innovativeness in the sphere of retailing (mainly global).

Additionally, due to the fact that private labels of retail chains more and more often pose a threat to the sale of non-food producers' brands it should be interesting to identify their new or modified assortment strategies, and in the sphere of brands, the ones that should reduce a growing competitive power of retailers and on the other hand determine possibilities of cooperation of these entities in the future.

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